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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001456

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E.O. 12958: DECL: 04/26/2010
TAGS: [ETRD](#) [ECON](#) [PREL](#) [PGOV](#) [TW](#)
SUBJECT: DANIEL TSAI URGES CLOSER CROSS-STRAIT TIES

REF: A. TAIPEI 1333

[1](#)B. TAIPEI 1344

Classified By: AIT DIRECTOR STEPHEN M. YOUNG FOR REASONS 1.5 (b), (d)

[1](#)1. (C) Summary: During an April 26 introductory call, Fubon Financial Holdings (FFH) Chairman Daniel Tsai lamented President Chen's squandered opportunities for a breakthrough in cross-Straits relations and said he would advise politicians to have more confidence in Taiwan's future. Tsai also relayed a first-hand account of what might have been an attempt by First Lady Wu Shu-chen to obtain inside stock information, and said it was "not the right time" to enact a personal bankruptcy law. End summary.

Tsai Family Background

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[1](#)2. (C) On April 26, AIT Director Stephen Young paid an introductory call on Daniel Tsai (Ming-chung) Chairman of Fubon Financial Holdings. Daniel is a leading figure in one of Taiwan's most powerful families. In 2004, Daniel Tsai (50) and his brother Richard (47) took control of the FFH banking and insurance empire from patriarch Tsai Wan-tsai (76). FFH has affiliates in banking, securities, life insurance, fund management, real estate, and, since 2003, owns the largest private mobile phone network in Taiwan

Media Fosters Political Extremism

[1](#)3. (C) AIT Director Young commented on the need for political parties to be mindful of overall national interests and the need to provide good governance. In response, Tsai referred to a recent article by noted author Lung Ying-tai (former head of Taipei City Government Cultural Affairs Section) that described Taiwan as a "young democracy" going through certain temporary growing pains. He also referred to the "Yi Ching" philosophy of natural cycles and predicted that Taiwan politics would swing back towards the center from its current uncompromising trend, where politicians were "held hostage" by their party's more extreme factions. He

noted that political television talk shows fueled extremism, and suggested that Taiwan had too much sensational media coverage of its politics.

14. (C) Tsai said it was clear that the mainstream opinion of Taiwan's public supported improved relations with China. "Nobody wants war" he noted. Tsai said China was too busy with its own internal problems to push unification with Taiwan and this made the present an excellent time to work on establishing better relations with China. At the same time, he noted, "everybody knew" that someday China might be engulfed in social unrest, and Taiwan was very fortunate to have 90 miles of water between itself and the mainland.

KMT-CCP Economic and Trade Forum

15. (C) Tsai said he was not coerced into attending the recent KMT-CCP Economic and Trade Forum in Beijing, but that as a known Pan Green supporter, he had had reservations about whether it was the right thing to do. In the end, he decided the economic issues to be discussed were important enough to warrant his attendance. He noted that the CCP had invited him, not the KMT. He hinted that at side talks during the forum, he had achieved a "breakthrough" in obtaining permission for FFH to provide banking services in China. Tsai explained to us his idea for how Hong Kong banking

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regulators could act as intermediaries to enable a free flow of information between Taiwan and PRC regulators.

FFH Targets Taiwan Businesses in China

16. (C) One of FFH's top priorities was to target the huge amounts of personal wealth that flow between Taiwan and China, Tsai said. Tsai said he had not fully appreciated how

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many wealthy Taiwan clients there were in China until FFH acquired its Hong Kong subsidiary. FFH was now hoping to acquire a locally licensed bank in China as the next step in plans to target Taiwan businesspeople there.

China Targets President Chen's Key Supporters

17. (C) In response to the Director's observation that Tsai had received a long handshake from CPC Chairman Hu, Tsai noted that the photo of the two of them shaking hands had been used by Chinese media as the official photo of the event. He then mused how China was currently "writing checks" to win over the strongest support groups of President Chen and the DPP: farmers, doctors, young people, and the hotel industry.

President Chen Written Off Years Ago

18. (C) Tsai believes Taiwan should take advantage of China's current willingness to compromise. However, he noted that China had totally "written off" President Chen since around 2002 and would not deal with him. Tsai said that when Chen was first elected in 2000, many people, including Chen himself thought he might have an opportunity for a breakthrough in cross-Straits relations. But his overtures were rebuffed and opportunities frittered away.

19. (C) Now, in 2006, it is clear that Chen has no chance of dealing with China. Part of the problem was Chen's lack of international experience or perspective, which, Tsai said, kept him from understanding the global significance of China's rise. He has increasingly surrounded himself with people who shared his views. At the same time, Tsai said, the new government in China was becoming more sophisticated

in dealing with Taiwan. While in China, Tsai had heard high-level officials express regret for having fired missiles in 1996 to threaten Taiwan and for threatening remarks then PRC Premier Zhu Rongji made during the 2000 Taiwan presidential election campaign.

Strong Defense Still Important

¶10. (C) Tsai said he thought both the Pan Green and Pan Blue "overplayed" China in domestic politics: Pan Green overstated the threat posed by China and Pan Blue overstated how much Taiwan needed China. Tsai said he believed that economic integration with China would make Taiwan stronger, not weaker. But he agreed with the Director that a strong defense was still necessary in case China was ever tempted to quell domestic unrest by shifting internal attention to Taiwan.

First Lady Playing with Fire

¶11. (C) Commenting on headlines in many local papers about First Lady Wu Shu-chen's extensive business interests, Tsai said her continued dealing in stocks after her husband took office was inappropriate. He then told AIT that, shortly after FFH acquired Chunghwa Telecom, he had received a phone call from the First Lady congratulating him on his wise purchase and noting how the share price was increasing rapidly. Tsai said he avoided giving any significant information to Wu, but felt the call was inappropriate.

Party Politics

¶12. (C) Tsai thought Taipei Mayor/KMT Chairman Ma seemed focused squarely on being a good leader, rather than striving for personal gain. In this he was different from other KMT politicians, Tsai said, and this difference could lead to a split in the party. Tsai thought it would be "difficult" for the DPP to retain the presidency in 2008. He also believed

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former Premier Frank Hsieh should "put aside his pride" and run for Taipei mayor in the fall. In this manner he could serve as Taipei Mayor for four or eight years before running for the presidency. If Hsieh persists in his quest to be the DPP candidate for President in 2008, it might lead to a split within the DPP.

YOUNG